

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1396 - SB 1894

March 11, 2009

SUMMARY OF BILL: Reduces from \$1,000,000 to \$500,000, the maximum amount of the surety bond that a textbook contractor must submit in order to do business with the state.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – This reduction will cause a downward shift in the maximum threshold for damages that may be recovered if a textbook contractor defaults.

Assumptions:

- According to the Department of Education, a textbook contractor has never defaulted on a contract. Reducing the maximum surety bond amount will not cause the state or local government to incur an increase in expenditures. However, revising the threshold may result in a loss of future funds to the state in the event of a contract default if current surety bonds for some vendors are above \$500,000 or would have been in future contracts.
- It is unclear if the bill will apply retroactively. Currently there are 100 contracts to which this bill would apply.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White".

James W. White, Executive Director

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